Message Text

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ORIGIN AF-08

INFO OCT-01 ISO-00 PM-04 /013 R

DRAFTED BY AF/E:RSBARRETT:NB APPROVED BY AF:DBOLEN PM/SAS:DJAMES

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R 190018Z SEP 76 FM SECSTATE WASHDC TO AMEMBASSY ADDIS ABABA

CONFIDENTIAL STATE 231851

E.O. 11652: GDS

TAGS: MASS

SUBJECT: MILITARY ASSISTANCE TO ETHIOPIA

REF: ADDIS ABABA 10112

- 1. AFTER GIVING REFTEL CONSIDERABLE THOUGHT WE HAVE CONCLUDED THAT IT WOULD NOT RPT NOT BE TO OUR ADVANTAGE TO SAY ANYTHING TO PMG ABOUT POSSIBLE CONSEQUENCES OF THEIR NOT SIGNING FY 77 FMS CREDIT AGREEMENT. WE THINK IT BEST TO KEEP MAXIMUM FLEXIBILITY FOR OURSELVES IN DETERMINING FUTURE OF SECURITY ASSISTANCE PROGRAM TO ETHIOPIA. ANY WARNINGS TO PMG AT THIS TIME COULD IMPLY A THREAT WHICH WE MAY LATER NOT WANT EITHER TO CARRY OUT OR BACK DOWN FROM. WE BELIEVE SAYING NOTHING BEST PRESERVES OUR OPTIONS.
- 2. FYI \$10 MILLION IN FMS CREDITS FOR ETHIOPIA ARE ALREADY IN THE FY 77 CONGRESSIONAL PRESENTATION AND CAN BE OFFERED OR NOT DURING THE COURSE OF THE FISCAL YEAR. INCLUSION OF FMS CREDITS FOR FY 78 MAY BE MORE DIFFICULT IN VIEW OF TWO SUCCESSIVE PMG REFUSALS, BUT REDISTRIBUTION CONFIDENTIAL

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OF AUTHORIZED CREDITS IS ALWAYS POSSIBLE IF WE DEEM IT TO

BE IN OUR INTEREST. REFUSAL WOULD NOT BY ITSELF JEOPARDIZE CONTINUATION OF MAAG ETHIOPIA, WHILE MAP AND CASH SALES CONTINUE. END FYI

3. YOU SHOULD THEREFORE NOT DISCUSS IMPLICATIONS OF REFUSAL WITH PMG. WE WOULD STILL LIKE YOU TO MAKE POINT TO AYALEW MANDEFRO, HOWEVER, THAT TERMINATION OF CONCESSIONAL CREDIT RATE WAS NOT POLITICALLY MOTIVATED, AS PER STATE 224168. WE ARE ALSO CURIOUS AS TO PMG REACTION TO INTEREST RATE OF 7.75 PERCENT FOR SEPTEMBER. YOU SHOULD NOT LET PMG BELIEVE THAT LOWERING OF RATE IS RESULT OF ITS ADAMANT STAND AGAINST PREVIOUS HIGHER RATE OF 8.15 PERCENT, BUT EXPLAIN THAT RATE IS RECALCULATED EVERY MONTH ACCORDING TO WHAT THE USG HAS BEEN PAYING. ROBINSON

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Concepts: MILITARY ASSISTANCE, MILITARY SALES, CREDIT AGREEMENTS

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